

Message Text

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S/S-MR ORTIZ

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

C O N F I D E N T I A L STATE 222992

EXDIS

E.O. 11652: GDS

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SUBJECT: AID FOR INDIA

REF: (A) STATE 213299; (B) NEW DELHI 12438

FOR AMBASSADOR SAXBE FROM PARKER AND DUBS

1. THERE SEEMS TO HAVE BEEN SOME MISUNDERSTANDING ON WHAT WE TOLD M. G. KAUL DURING HIS DISCUSSIONS HERE ON SEPTEMBER 5. NO PROGRAM WAS "WORKED OUT" WITH AID OFFICIALS ALONG LINES HE HAS INDICATED. AS REPORTED IN REFTEL A, KAUL WAS ADVISED THAT IT WOULD BE PRUDENT TO AWAIT THE OUTCOME OF CONGRESSIONAL AUTHORIZATION BEFORE INITIATING FORMAL DISCUSSIONS ON POSSIBLE REPEAT POSSIBLE AID PROGRAM. THIS REMAINS OUR POSITION. WE ALSO TOLD HIM, HOWEVER, THAT IT WOULD MAKE SENSE FOR INDIANS TO DO CERTAIN AMOUNT OF HOMEWORK IN TERMS OF PREPARING PROJECTS FOR CONSIDERATION WHEN AND IF SITUATION WARRANTS GOING AHEAD. THUS WE WOULD BE ABLE TO MOVE FAIRLY QUICKLY WITH ALLOCATION OF FUNDS IF THERE IS USG GREEN LIGHT FOR
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DEVELOPMENT ASSISTANCE PROGRAM BEFORE USUAL BUDGETARY SQUEEZE JEOPARDIZES UNEARMARKED FUNDS (AS HAPPENED IN LAST TWO YEARS WITH PROVISIONAL INDIA DL ALLOCATION). KAUL APPEARS TO HAVE READ CP PRESENTATION FOR FY 1976 AND MADE

RATIONAL ASSUMPTION THAT WHAT WE PRESENTED TO CONGRESS REPRESENTS THE KIND OF PROJECTS WE WOULD BE WILLING TO FINANCE.

2. ACTUAL AMOUNT OF ANY FINAL PROGRAM TO INDIA WOULD OF COURSE DEPEND ON AVAILABLE FUNDS AND EVEN UNDER BEST OF CIRCUMSTANCES MAY WELL BE LESS THAN \$75 MILLION REQUEST.

3. IN TERMS OF PROGRAM SPECIFICS, WE HAVE HAD CHANCE TO REVIEW EMBASSY'S THOUGHTFUL OPTIONS PAPER (WHICH WE SEE AS PRIMARILY OF USE IN PLANNING FY 1977 PROGRAM), AND FEEL THERE MAY BE MISUNDERSTANDING BETWEEN US ON WHAT IS REQUIRED UNDER THE NEW AID GUIDELINES. FERTILIZER AID NEED NOT, AS REFTEL - AND ALSO EMBASSY PAPER - SUGGESTS, BE STRAIGHT FOREIGN EXCHANGE HANDOUT. IT CAN BE TAILORED IN SUCH A WAY, IN THE CASE OF INDIA WHERE INSTITUTIONAL FRAMEWORK EXISTS, THAT ASSISTANCE WOULD IN FACT REACH NEEDIEST FARMERS IN A MANNER CONSISTENT WITH FAA GUIDELINES. OBVIOUSLY KAUL WOULD PREFER STRAIGHT BALANCE OF PAYMENTS AID BUT WE TOLD HIM THIS WOULD BE UNACCEPTABLE.

4. THE REASON WE HAVE BEEN FOCUSING ON FERTILIZER IS THAT IT HAS BEEN IN CP FOR PAST SEVERAL YEARS AND WAS DISCUSSED INFORMALLY WHEN BOB NOOTER VISITED INDIA EARLIER THIS YEAR. IF WORKED OUT AS SUGGESTED PARA 3, WE DO NOT VISUALIZE CONGRESSIONAL PROBLEM YOU MENTIONED REFTEL B. FERTILIZER LOAN ALSO PROPOSED IN FY 76 FOR PAKISTAN AND BANGLADESH. AS PRACTICAL MATTER, IT WOULD BE DIFFICULT AND PERHAPS IMPOSSIBLE TO DEVELOP ALTERNATE PROGRAMS WHICH COULD BE OBLIGATED IN FY 76 GIVEN THE KIND OF DETAILED PREPARATION REQUIRED UNDER NEW LEGISLATION. ALSO SWITCH FROM PROGRAM SHOWN IN CP WOULD REQUIRE AID TO JUSTIFY CHANGE TO CONGRESS. AID HAS STRONG AVERSION TO PRESENTING REVISED JUSTIFICATIONS TO THE CONGRESS UNLESS IT BECOMES IMPERATIVE TO DO SO SINCE CONGRESS HAS BEEN INCREASINGLY CRITICAL OF CHANGES MADE AFTER CP PRESENTED.

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5. AT THIS STAGE TWO STEPS ARE NEEDED BEFORE WE ENGAGE IN SUBSTANTIVE TALKS ON AID WITH THE INDIANS. FIRST, WE HAVE TO SORT OUT BETWEEN OURSELVES ANY DIFFERENCES ON CONTENT AND FORM OF POSSIBLE ASSISTANCE PROGRAM (I.E. FERTILIZER VERSUS ALTERNATIVE PROGRAMS BEARING ABOVE COMMENTS IN MIND). WE WELCOME YOUR FURTHER IDEAS ON THIS AND HOPE WE CAN RESOLVE ANY PROBLEMS BY THE TIME CHAVAN COMES HERE IN EARLY OCTOBER. SECOND, THE ACTUAL START OF TALKS (WITH THE OBVIOUS IMPLICATION THAT WE WOULD BE WILLING TO RESUME AID SHOULD THESE RESULT IN SATISFACTORY AGREEMENT) STILL REQUIRES FINAL HIGH LEVEL USG APPROVAL AND WE INTEND TO HAVE THIS ISSUE CONSIDERED IN THE CONTEXT OF THE PREPARATIONS FOR THE CHAVAN VISIT.

6. IN TERMS OF TIMING FOR TALKS, OUR PRESENT INCLINATION IS THAT YOU AND GOI NOT COMMENCE THESE UNTIL AFTER THE CHAVAN VISIT. THIS SHOULD STILL PROVIDE SUFFICIENT TIME TO HAVE AN FY 76 PROGRAM IN REASONABLY GOOD SHAPE BY THE END OF CY 75 SO THAT WE CAN MOVE AHEAD WITH ACTUAL LOAN COMMITMENTS RELATIVELY SOON AFTER THE CONGRESS COMPLETES THE APPROPRIATIONS PROCESS. WE NOW EXPECT THIS BEFORE THE CHRISTMAS RECESS. KISSINGER

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